

**REPORT OF THE AUDIT OF THE  
UNION COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE UNION COUNTY FISCAL COURT**

**June 30, 2014**

The Auditor of Public Accounts has completed the audit of the Union County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Union County, Kentucky.

#### **Financial Condition:**

The Union County Fiscal Court had total receipts of \$11,523,174 and disbursements of \$13,973,726 in fiscal year 2014. This resulted in a total ending fund balance of \$9,970,194, which is an increase of \$2,512,502 from the prior year.

#### **Report Comments:**

- 2014-001 Union County Fiscal Court Failed To Implement Adequate Internal Controls Over Capital Asset Purchases And Capital Asset Record Maintenance
- 2014-002 Union County Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260
- 2014-003 The Fiscal Court Failed To Follow Proper Purchasing Procedures For Small Contracts And Purchases
- 2014-004 The Fiscal Court Circumvented Internal Controls By Paying Union County Fiscal Court Expenses From A Union County First Checking Account And Later Reimbursing UC First
- 2014-005 The Union County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions

#### **Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Union County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in more fully in Note 1, the financial statement is prepared by Union County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Union County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Union County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Union County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.



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### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2015 on our consideration of Union County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2014-001 Union County Fiscal Court Failed To Implement Adequate Internal Controls Over Capital Asset Purchases And Capital Asset Record Maintenance
- 2014-002 Union County Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260
- 2014-003 The Fiscal Court Failed To Follow Proper Purchasing Procedures For Small Contracts And Purchases
- 2014-004 The Fiscal Court Circumvented Internal Controls By Paying Union County Fiscal Court Expenses From A Union County First Checking Account And Later Reimbursing UC First
- 2014-005 The Union County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

October 22, 2015

UNION COUNTY OFFICIALS

For The Year Ended June 30, 2014

**Fiscal Court Members:**

Jody L. Jenkins	County Judge/Executive
Gary Day	Magistrate
Jerri Floyd	Magistrate
Chuck Voss	Magistrate
Joe Wells	Magistrate
Joe Clements	Magistrate

**Other Elected Officials:**

Brucie Moore	County Attorney
Cathy Smith	Jailer
Trey Peak	County Clerk
Sue Beaven	Circuit Court Clerk
Mickey Arnold	Sheriff
Clay Wells	Property Valuation Administrator
Steven Shouse	Coroner

**Appointed Personnel:**

Lissa Gibson	County Treasurer
Krystal Steward	Finance Officer

**UNION COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

**UNION COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 2,153,431	\$ 97	\$
In Lieu Tax Payments	111,150		
Excess Fees	334,624		
Licenses and Permits	14,480		
Intergovernmental	116,044	2,248,588	270,655
Charges for Services			41,525
Miscellaneous	32,761	5,143	15,841
Interest	19,042	4,156	4
Total Receipts	<u>2,781,532</u>	<u>2,257,984</u>	<u>328,025</u>
<b>DISBURSEMENTS</b>			
General Government	2,130,571		
Protection to Persons and Property	119,400		926,085
General Health and Sanitation	900		
Social Services	1,993		
Recreation and Culture			
Roads		1,785,048	
Debt Service	149,492	91,594	
Capital Projects		2,059,772	
Administration	487,898	245,083	331,258
Total Disbursements	<u>2,890,254</u>	<u>4,181,497</u>	<u>1,257,343</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(108,722)</u>	<u>(1,923,513)</u>	<u>(929,318)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Anticipation Notes		3,000,000	
Road Improvement Bonds		1,995,000	
Reoffering Premium		17,991	
Discounts		(49,937)	
Transfers From Other Funds			925,000
Transfers To Other Funds	(28,800)		
Total Other Adjustments to Cash (Uses)	<u>(28,800)</u>	<u>4,963,054</u>	<u>925,000</u>
Net Change in Fund Balance	(137,522)	3,039,541	(4,318)
Fund Balance - Beginning (Restated)	2,184,092	1,984,818	15,020
Fund Balance - Ending	<u>\$ 2,046,570</u>	<u>\$ 5,024,359</u>	<u>\$ 10,702</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 2,054,712	\$ 5,038,014	\$ 10,758
Less: Outstanding Checks	(8,142)	(13,655)	(56)
Certificate of Deposits			
Fund Balance - Ending	<u>\$ 2,046,570</u>	<u>\$ 5,024,359</u>	<u>\$ 10,702</u>

The accompanying notes are an integral part of the financial statement.

UNION COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND BALANCES - REGULATORY BASIS  
 For The Year Ended June 30, 2014  
 (Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Garden Fund	Debt Service Fund
\$ 189,509	\$	\$	\$	\$
5,368,651	10,000	32,906		165,250
140,667				
174,764			7,518	
6,819				
<u>5,880,410</u>	<u>10,000</u>	<u>32,906</u>	<u>7,518</u>	<u>165,250</u>
553,444				
689,969				
553,131				
764,278		32,905		
899,012			3,409	
764,103				165,513
1,001,665				
163,108				
<u>5,388,710</u>		<u>32,905</u>	<u>3,409</u>	<u>165,513</u>
491,700	10,000	1	4,109	(263)
28,800		28,800		
(925,000)		(28,800)		
(896,200)				
(404,500)	10,000	1	4,109	(263)
3,208,993	10,498			41,603
<u>\$ 2,804,493</u>	<u>\$ 20,498</u>	<u>\$ 1</u>	<u>\$ 4,109</u>	<u>\$ 41,340</u>
\$ 1,739,417	\$ 20,498	\$ 1	\$ 4,109	\$ 41,340
(34,924)				
1,100,000				
<u>\$ 2,804,493</u>	<u>\$ 20,498</u>	<u>\$ 1</u>	<u>\$ 4,109</u>	<u>\$ 41,340</u>

The accompanying notes are an integral part of the financial statement.

**UNION COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>		
Taxes	\$	\$ 2,343,037
In Lieu Tax Payments		111,150
Excess Fees		334,624
Licenses and Permits		14,480
Intergovernmental		8,212,094
Charges for Services		182,192
Miscellaneous	59,549	295,576
Interest		30,021
Total Receipts	<u>59,549</u>	<u>11,523,174</u>
<b>DISBURSEMENTS</b>		
General Government		2,684,015
Protection to Persons and Property		1,735,454
General Health and Sanitation		554,031
Social Services		799,176
Recreation and Culture	54,095	956,516
Roads		2,549,151
Debt Service		406,599
Capital Projects		3,061,437
Administration		1,227,347
Total Disbursements	<u>54,095</u>	<u>13,973,726</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,454</u>	<u>(2,450,552)</u>
<b>Other Adjustments to Cash (Uses)</b>		
Bond Anticipation Notes		3,000,000
Road Improvement Bonds		1,995,000
Reoffering Premium		17,991
Discounts		(49,937)
Transfers From Other Funds		982,600
Transfers To Other Funds		(982,600)
Total Other Adjustments to Cash (Uses)	<u></u>	<u>4,963,054</u>
Net Change in Fund Balance	5,454	2,512,502
Fund Balance - Beginning (Restated)	12,668	7,457,692
Fund Balance - Ending	<u>\$ 18,122</u>	<u>\$ 9,970,194</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 18,329	\$ 8,927,178
Less: Outstanding Checks	(207)	(56,984)
Certificate of Deposits		1,100,000
Ending Fund Balance	<u>\$ 18,122</u>	<u>\$ 9,970,194</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Union County includes all budgeted and unbudgeted funds under the control of the Union County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.



**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state government, and transfers from the LGEA Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grants Fund - The primary purpose of this fund is to account for the ambulance grant received from the state.

Federal Grant Fund - The primary purpose of this fund is to account for any federal grant receipts and disbursements of the county. The primary source of receipts for this fund is federal grants.

Garden Fund - The primary purpose of this fund is to account for the Grow Appalachia Grant receipts and disbursements of the county.

Debt Service Fund - The primary purpose of this fund is to account for debt service requirements of the General Obligation Refunding Bond, Series 2003. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Union County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Union County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Union County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	LGEA Fund	Federal Grants Fund	Total Transfers In
Jail Fund	\$	\$ 925,000	\$	\$ 925,000
LGEA Fund			28,800	28,800
Federal Grants Fund	28,800			28,800
Total Transfers Out	\$ 28,800	\$ 925,000	\$ 28,800	\$ 982,600

Reason for transfers:

To move resources from and to the LGEA Fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Receivable**

The Union County Fiscal Court (lender) entered into a promissory note with Breckinridge Services, Inc. (borrower) to pay the Union County Fiscal Court, the principal amount of \$1,000,000 or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment is made in full. The borrower will pay interest at an annual rate of 4.5%. If, in October 2028, the borrower still owes an amount under this note, the borrower will pay those amounts in full on that date, which is called the "Maturity Date". During the first 24 months beginning with the first advance on this note the borrower will make interest payments only. Beginning on the 25<sup>th</sup> month following the 1<sup>st</sup> advance the borrower will pay principal and interest by making a payment each month. The balance at June 30, 2010 was \$1,000,000. The payments and interest accrual were suspended after February 1, 2011 on mutual oral agreement between both parties. The deferment of payments until such time as the County request that payments resume. In the event the County makes a request for the payment to resume, Breckinridge Services, Inc. will be notified not less than sixty (60) days prior to the first payment being due to the County. Principal outstanding after the February 1, 2011 payment was \$999,751. The receivable as of June 30, 2014 totals \$999,751.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2003**

On March 19, 2003, the Union County Fiscal Court issued General Obligation Refunding Bonds, Series 2003 in the amount of \$1,630,000. The bonds were dated February 1, 2003, payable semi-annually on March 1 and September 1, 2003. The interest rate on the bonds ranges from 1.00% to 3.70%. The bonds were issued in denominations of \$5,000 each or integral multiples thereof and mature at various dates beginning February 1, 2004 through February 1, 2015. The bonds were subject to early redemption prior to maturity. Principal outstanding as of June 30, 2014 was \$215,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 155,000	\$ 5,010
2016	60,000	1,110
Totals	<u>\$ 215,000</u>	<u>\$ 6,120</u>

**B. Financing Obligations – Economic Development**

On September 22, 2008, the Union County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the sum of \$1,000,000 at a 4.007% effective interest rate. The financing obligation is to finance the construction of a nursing home facility located in Union County. The maturity date of the obligation is January 20, 2029. The balance of the obligation at June 30, 2014 was \$780,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 40,000	\$ 32,019
2016	40,000	30,410
2017	45,000	28,627
2018	45,000	26,764
2019	45,000	24,895
2020-2024	260,000	91,222
2025-2029	<u>305,000</u>	<u>37,883</u>
Totals	<u>\$ 780,000</u>	<u>\$ 271,820</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Series 2013, General Obligation Improvement Bonds (Road Project)**

On December 3, 2013, Union County issued General Obligation Improvement Bonds (Road Project), Series 2013. The Bonds were dated December 3, 2013, payable semi-annually on March 1 and September 1, beginning March 1, 2014. The interest rate on the bonds is 2.50% to 3.65%. The purpose of financing (i) the construction of country road improvements, (ii) accrued/or capitalized interest, and (iii) cost of issuance. The balance of the obligation at June 30, 2014 was \$1,995,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 95,000	\$ 71,348
2016	110,000	54,538
2017	115,000	51,725
2018	120,000	48,787
2019	120,000	45,787
2020-2024	660,000	179,894
2025-2029	<u>775,000</u>	<u>70,563</u>
Totals	<u>\$ 1,995,000</u>	<u>\$ 522,642</u>

**D. Series 2014, General Obligation Bond Anticipation Note (Levee Project)**

On March 19, 2014 Union County issued General Obligation Improvement Bonds Anticipation Note (Levee Project), Series 2014. The bonds were dated March 19, 2014, payable semi-annually on March 1 and September 1, beginning September 1, 2014. The interest rate on the bonds is 1.10%. The Note is being issued by the County for the purpose of providing interim financing for (i) the construction of renovations to the levees located within the geographical boundaries of the County so as to secure a FEMA re-certification, or accreditation of the levees located in the County and continued maintenance thereof so as to maintain FEMA's accreditation; (ii) capitalized and/or accrued interest, if any; and (iii) paying the Cost of Issuance of the Note. Principal outstanding as of June 30, 2014 was \$3,000,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 0	\$ 0
2016	<u>3,000,000</u>	<u>16,500</u>
Totals	<u>\$ 3,000,000</u>	<u>\$ 16,500</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. Energy Efficiency and Conservation Loan**

On April 17, 2014 a Loan Agreement was made by and between Commonwealth of Kentucky, Department for Local Government (DLG) and the Union County Fiscal Court. This loan agreement provides a loan in the amount of \$100,000 from the DLG Energy Efficiency and Conservation Revolving Loan Fund of Kentucky to the borrower. In order to induce DLG to enter into this Loan Agreement and to make the loan, the Borrower is willing and desires to make the warranties, covenants. Principal outstanding as of June 30, 2014 was \$100,250. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 7,750	\$ 0
2016	10,000	
2017	10,000	
2018	10,000	
2019	10,000	
2020-2024	50,000	
2025	2,500	
Totals	<u>\$ 100,250</u>	<u>\$ 0</u>

**F. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 370,000	\$ 4,995,000	\$ 155,000	\$ 5,210,000	\$ 250,000
Financing Obligations	820,000	100,250	40,000	880,250	47,750
Total Long-term Debt	<u>\$ 1,190,000</u>	<u>\$ 5,095,250</u>	<u>\$ 195,000</u>	<u>\$ 6,090,250</u>	<u>\$ 297,750</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 6. Commitments and Contingencies**

**A. Ambulance Service Contract**

Union County is currently operating under a lease agreement with the Union County Methodist Hospital regarding ambulance service for Union County including garage facilities. The contract states the County is liable for monthly deficits of the ambulance service. The contract provides no maximum expense for which the County is liable. During fiscal year ended June 30, 2014, the County paid \$229,359 to the Union County Methodist Hospital for ambulance support.

**B. Solid Waste Interlocal Agreement**

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, Union County entered into an interlocal agreement with Henderson and Webster Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. Union County is responsible for 20% of the Solid Waste Recycling Facility and Program operating budget. The expense incurred by Union County under this agreement for fiscal year ended June 30, 2014, was \$83,178.

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$448,693, FY 2013 was \$504,310, and FY 2014 was \$527,831.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.



**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 8. Deferred Compensation**

On June 24, 1986, the Union County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Health Reimbursement Account**

The Union Fiscal Court, established a flexible spending account in June 2009 to provide employees an additional health benefit. The County has contracted with Febco. Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$2,400 for single plans and \$4,800 all other plans each year to pay for qualified medical expenses.

**Note 10. Insurance**

For the fiscal year ended June 30, 2014, Union County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 11. Prior Period Adjustment**

	Jail Commissary Fund
Ending Cash Balance Prior Year	\$ 12,963
Adjustments:	
Escrow Account Included in the	
Prior Year in Error	(590)
Prior Year Voided Checks	299
Miscellaneous	(4)
Beginning Cash Balance Restated	<u>\$ 12,668</u>

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**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**



**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,865,223	\$ 1,910,238	\$ 2,153,431	\$ 243,193
In Lieu Tax Payments	120,000	120,420	111,150	(9,270)
Excess Fees	240,604	272,624	334,624	62,000
Licenses and Permits	12,150	12,150	14,480	2,330
Intergovernmental	135,210	562,729	116,044	(446,685)
Miscellaneous	93,860	98,060	32,761	(65,299)
Interest	3,000	18,010	19,042	1,032
Total Receipts	<u>2,470,047</u>	<u>2,994,231</u>	<u>2,781,532</u>	<u>(212,699)</u>
<b>DISBURSEMENTS</b>				
General Government	2,021,358	2,263,126	2,130,571	132,555
Protection to Persons and Property	118,979	131,418	119,400	12,018
General Health and Sanitation		315,571	900	314,671
Social Services	6,250	6,083	1,993	4,090
Debt Service	146,670	149,559	149,492	67
Administration	458,092	493,441	487,898	5,543
Total Disbursements	<u>2,751,349</u>	<u>3,359,198</u>	<u>2,890,254</u>	<u>468,944</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(281,302)</u>	<u>(364,967)</u>	<u>(108,722)</u>	<u>256,245</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		28,800		(28,800)
Transfers To Other Funds		(28,800)	(28,800)	
Total Other Adjustments to Cash (Uses)			<u>(28,800)</u>	<u>(28,800)</u>
Net Change in Fund Balance	(281,302)	(364,967)	(137,522)	227,445
Fund Balance Beginning	<u>281,302</u>	<u>364,967</u>	<u>2,184,092</u>	<u>1,819,125</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,046,570</u>	<u>\$ 2,046,570</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 500	\$ 500	\$ 97	\$ (403)
Intergovernmental	2,315,620	2,342,920	2,248,588	(94,332)
Miscellaneous	12,500	12,500	5,143	(7,357)
Interest	2,900	3,920	4,156	236
Total Receipts	2,331,520	2,359,840	2,257,984	(101,856)
<b>DISBURSEMENTS</b>				
Roads	1,633,995	1,914,892	1,785,048	129,844
Debt Service	100,000	100,000	91,594	8,406
Capital Projects	2,920,782	5,299,599	2,059,772	3,239,827
Administration	303,300	302,781	245,083	57,698
Total Disbursements	4,958,077	7,617,272	4,181,497	3,435,775
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,626,557)	(5,257,432)	(1,923,513)	3,333,919
<b>Other Adjustments to Cash (Uses)</b>				
Road Improvement Bonds		2,000,000	1,995,000	(5,000)
Bond Anticipation Notes	2,500,000	2,500,000	3,000,000	500,000
Reoffering Premium			17,991	17,991
Discount			(49,937)	(49,937)
Total Other Adjustments to Cash (Uses)	2,500,000	4,500,000	4,963,054	463,054
Net Change in Fund Balance	(126,557)	(757,432)	3,039,541	3,796,973
Fund Balance Beginning	126,557	757,432	1,984,818	1,227,386
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,024,359	\$ 5,024,359

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 292,950	\$ 299,440	\$ 270,655	\$ (28,785)
Charges for Services	31,500	41,175	41,525	350
Miscellaneous	12,000	13,755	15,841	2,086
Interest	10	10	4	(6)
Total Receipts	<u>336,460</u>	<u>354,380</u>	<u>328,025</u>	<u>(26,355)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	965,623	986,524	926,085	60,439
Administration	347,150	344,169	331,258	12,911
Total Disbursements	<u>1,312,773</u>	<u>1,330,693</u>	<u>1,257,343</u>	<u>73,350</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(976,313)</u>	<u>(976,313)</u>	<u>(929,318)</u>	<u>46,995</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>961,313</u>	<u>961,313</u>	<u>925,000</u>	<u>(36,313)</u>
Total Other Adjustments to Cash (Uses)	<u>961,313</u>	<u>961,313</u>	<u>925,000</u>	<u>(36,313)</u>
Net Change in Fund Balance	(15,000)	(15,000)	(4,318)	10,682
Fund Balance Beginning	<u>15,000</u>	<u>15,000</u>	<u>15,020</u>	<u>20</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,702</u>	<u>\$ 10,702</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 170,000	\$ 170,000	\$ 189,509	\$ 19,509
Intergovernmental	4,181,215	6,005,415	5,368,651	(636,764)
Charges for Services	117,500	118,965	140,667	21,702
Miscellaneous	83,000	123,280	174,764	51,484
Interest	2,900	4,540	6,819	2,279
Total Receipts	4,554,615	6,422,200	5,880,410	(541,790)
<b>DISBURSEMENTS</b>				
General Government	535,503	705,455	553,444	152,011
Protection to Persons and Property	603,619	773,152	689,969	83,183
General Health and Sanitation	376,930	566,317	553,131	13,186
Social Services	637,815	826,464	764,278	62,186
Recreation and Culture	293,033	922,173	899,012	23,161
Roads	160,408	811,610	764,103	47,507
Bus Services	120,000	48,845		48,845
Capital Projects	938,215	1,781,179	1,001,665	779,514
Administration	144,450	168,524	163,108	5,416
Total Disbursements	3,809,973	6,603,719	5,388,710	1,215,009
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	744,642	(181,519)	491,700	673,219
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			28,800	28,800
Transfers To Other Funds	(961,313)	(961,313)	(925,000)	36,313
Total Other Adjustments to Cash (Uses)	(961,313)	(961,313)	(896,200)	65,113
Net Change in Fund Balance	(216,671)	(1,142,832)	(404,500)	738,332
Fund Balance Beginning	216,671	1,142,832	3,208,993	2,066,161
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,804,493	\$ 2,804,493



**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>STATE GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 11,000	\$ 11,000	\$ 10,000	\$ (1,000)
Total Receipts	11,000	11,000	10,000	(1,000)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	11,100	11,100		11,100
Total Disbursements	11,100	11,100		11,100
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100)	(100)	10,000	10,100
Net Change in Fund Balance	(100)	(100)	10,000	10,100
Fund Balance Beginning	100	100	10,498	10,398
Fund Balance - Ending	\$ 0	\$ 0	\$ 20,498	\$ 20,498

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>FEDERAL GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 480,000	\$ 710,000	\$ 32,906	\$ (677,094)
Total Receipts	480,000	710,000	32,906	(677,094)
<b>DISBURSEMENTS</b>				
General Health and Sanitation	430,000	630,000		630,000
Social Services	50,000	80,000	32,905	47,095
Total Disbursements	480,000	710,000	32,905	677,095
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			1	1
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		28,800	28,800	
Transfers To Other Funds		(28,800)	(28,800)	
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance			1	1
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 1	\$ 1

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>GARDEN FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Miscellaneous		\$ 32,518	\$ 7,518
Total Receipts		32,518	(25,000)
<b>DISBURSEMENTS</b>			
Recreation and Culture		32,518	3,409
Total Disbursements		32,518	29,109
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			4,109
Net Change in Fund Balance			4,109
Fund Balance Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,109

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>DEBT SERVICE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 123,912	\$ 123,912	\$ 165,250	\$ 41,338
Total Receipts	123,912	123,912	165,250	41,338
<b>DISBURSEMENTS</b>				
Debt Service	165,513	165,513	165,513	
Total Disbursements	165,513	165,513	165,513	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(41,601)	(41,601)	(263)	41,338
Net Change in Fund Balance	(41,601)	(41,601)	(263)	41,338
Fund Balance Beginning	41,601	41,601	41,603	2
Fund Balance - Ending	\$ 0	\$ 0	\$ 41,340	\$ 41,340

**UNION COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2014**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

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**UNION COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**





**UNION COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 578,485	\$	\$	\$ 578,485
Construction in Progress	202,338	247,990	294,905	155,423
Buildings and Building Improvement	5,909,619	294,905		6,204,524
Other Equipment	659,102	376,152		1,035,254
Vehicles	3,998,250	75,822	34,319	4,039,753
Infrastructure	44,902,723	942,435		45,845,158
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Capital Assets	<u>\$ 56,250,517</u>	<u>\$ 1,937,304</u>	<u>\$ 329,224</u>	<u>\$57,858,597</u>

**UNION COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2014**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	50
Buildings and Building Improvements	\$ 25,000	50
Other Equipment	\$ 2,500	15
Vehicles	\$ 10,000	5
Infrastructure	\$ 2,500	12-50

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Union County Fiscal Court for the fiscal year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated October 22, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Union County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Union County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Union County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001, 2014-003, 2014-004, and 2014-005 to be material weaknesses.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Union County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-004.

**County Judge/Executive's and Jailer's Responses to Findings**

The Union County Judge/Executive's and Jailer's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge/Executive's and Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

October 22, 2015

**UNION COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2014**





**UNION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2014**

**FINANCIAL STATEMENT FINDINGS:**

2014-001    Union County Fiscal Court Failed To Implement Adequate Internal Controls Over Capital Asset Purchases And Capital Asset Record Maintenance

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Union County Fiscal Court had the following capital asset internal control weaknesses in FY 2014:

- The County's capital asset schedule was inaccurate. Two bridges, one road repaving, two buildings, and 20 pieces of vehicles and equipment had been omitted from the asset schedule totaling \$1,179,786. Also, two items were disposed of (a van was sold and a police cruiser was destroyed) and not removed from the capital asset schedule totaling \$7,571. In addition, the County failed to document pertinent information such as serial or vehicle identification number for all assets purchased.
- The County's normal purchasing procedures of acquiring equipment when it is needed and requested by a County department was not followed. Six pieces of equipment totaling \$97,775 were purchased due to the equipment being offered to the County at a good price. These pieces of equipment were later seized by Indiana law enforcement. The County's insurance carrier denied a claim for reimbursement of the seized equipment.
- The County is insuring 13 buildings and 7 vehicles that are not owned by Union County. There is not a contractual agreement for the County to maintain insurance on these items.
- The County's Fiscal Court minutes did not document when the County purchased assets for other governmental entities.
- The County's capitalization threshold revision approved in October 2004 did not clearly state the thresholds for other equipment and infrastructure.

Union County's capital asset policy states "The inventory tracking value is set at \$500." KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts, as outlined in the County Budget Preparation and State Local Finance Officer Policy Manual states, "For purposes of internal control, as asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount and have a useful life greater than one year."

There was no management oversight to determine if capital asset records were being accurately maintained. The effects of the lack of adequate internal controls over capital assets has led to the County purchasing stolen equipment, improper reporting of capital assets, and loss of county funds and property.

We recommend the Fiscal Court prepare and maintain adequate capital asset records in accordance with Union County's capital asset policy as well as follow guidance in the County Budget Preparation and State Local Finance Officer Policy Manual. Additionally, the Fiscal Court should purchase assets following the County's procurement policy when assets are needed. The Fiscal Court should determine why assets are being insured that do not belong to Union County. The Fiscal Court should also enter into written agreements when passing assets on to other governmental entities and all such actions should be incorporated into the minutes of the Fiscal Court. We also recommend the Fiscal Court update the capitalization policy and establish capitalization thresholds for all categories of capital assets. This matter will be referred to the Kentucky State Police and the Federal Bureau of Investigations.

**UNION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-001 Union County Fiscal Court Failed To Implement Adequate Internal Controls Over Capital Asset Purchases And Capital Asset Record Maintenance (Continued)

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*County Judge/Executive's Response: The capital assets policy and threshold were updated at the first court meeting following our original audit exit. A thorough review of all capital assets will be taking place along with a comparison of those items to our insurance policy. Any and all discrepancies will be corrected. We also are going to review any assets that have been turned over to other government agencies and make sure they are removed from both our asset and insurance listings. Anytime assets are turned over to other agencies we will make sure that it is documented in court and in the fiscal court meetings the specific items which are being surplused over to other agencies. This review has begun and will be completed by year end.*

2014-002 Union County Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260

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There are four instances where the Fiscal Court did not obtain bids as required by KRS 424.260. The Fiscal Court purchased a portable skating rink that cost \$40,302. This occurred because UC First (formerly Union County Economic Development) informed the County that the shared cost of the skating rink was \$30,000. In actuality, the County's portion of the cost was \$30,000. Additionally two projects (a waterline extension totaling \$54,607 and a ball field renovation totaling \$22,890) performed by a local contractor exceeded bid requirements.

There was one instance where items purchased totaled \$23,700 and were paid through a split purchase. On April 22, 2014, a check was written to a vendor in the amount of \$23,700. This check was voided on April 22, 2014, and a check for \$19,950 was issued to the same vendor on the same day. The County Judge Executive obtained and signed a check from UC First in the amount of \$3,750 written to the same vendor to complete the transaction on May 2, 2014. The County Judge Executive was a check signer for UC First. The Fiscal Court reimbursed UC First \$3,750 on May 9, 2014.

KRS 424.260(1) states, "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except for perishable meat, fish and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000), without first making newspaper advertisement for bids."

Union County's Administrative Code states, "The requirement for advertisement by bid for any single item, contract, lease, or other agreement for materials and/or supplies shall increase from \$2,500 to \$20,000 pursuant to KRS 424.260 and shall read as follows: The Judge/Executive shall make a written determination identifying all purchases authorized by the County budget for which small purchase procedures may be used. The determination shall state no single item or aggregate thereof in any fiscal year shall exceed \$20,000. Small procedures where no quotes are necessary shall increase from \$50.00 to \$500.00."

Since these four transactions were not properly bid, the Fiscal Court is in violation KRS 424.260 and the Union County Administrative code. We recommend all purchases where a single vendor is to be paid more than \$20,000 be bid in accordance with KRS 424.260. Additionally, we recommend purchases not be split in order to avoid bid requirements.

*County Judge/Executive's Response: All purchases will follow Union County's purchase policy, procurement policy as well as KRS 424.260.*

**UNION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-003    The Fiscal Court Failed To Follow Proper Purchasing Procedures For Small Contracts And Purchases

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Union County Fiscal Court failed to follow procurement procedures outlined in the County's Administrative Code. There was no documentation of quotes being obtained for small purchase expenditures and there were four instances where items were not properly bid. (See finding 2014-002)

The County allowed projects to exceed original cost expectations because there were no internal controls in place that required the monitoring and accumulating costs for individual projects. Purchase orders were not being properly utilized and did not provide enough information to ascertain project costs. Additionally, there was no documentation of quotes being obtained. As a result of the lack of monitoring, two projects (a waterline extension totaling \$54,607 and a ball field renovation totaling \$22,890) performed by a local contractor exceeded original cost expectations and also exceeded bid requirements. (See finding 2014-002)

The Union County Administrative Code states, "The Judge/Executive shall make a written determination identifying all purchases authorized by the County budget for which small purchase procedures may be used. The determination shall state no single item or aggregate thereof in any fiscal year shall exceed \$20,000. Small procedures where no quotes are necessary shall increase from \$50 to \$500."

We recommend the Fiscal Court improve internal controls over procurement to ensure purchases are in accordance with the County's administrative code, monitor projects including equipment rental costs, and maintain documentation of price quotes.

*County Judge/Executive's Response: We are doing a review and update of the County's administrative code and purchase policy which will include in writing updated internal controls.*

2014-004    The Fiscal Court Circumvented Internal Controls By Paying Union County Fiscal Court Expenses From A Union County First Checking Account And Later Reimbursing UC First

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Union County Fiscal Court made twelve disbursements to UC First (formerly Union County Economic Development) totaling \$80,099 during fiscal year 2014. Documentation for the amounts paid to UC First shows that \$24,000 was for the budgeted contribution to UC First, \$36,722 was a reimbursement for assets acquired by UC First on behalf of the Fiscal Court, \$9,953 was a reimbursement to UC First for waterline project overruns paid by the County, and \$9,424 described as "reimbursements" were bills of the Union County Fiscal Court.

Union County Fiscal Court expenses were co-mingled with those of UC First. Per the County Judge Executive, the reimbursements were paid from the UC First account because he was a check signer and the invoices were requested to be paid before Fiscal Court met. One of the expenditures described as a "reimbursement" was for a piece of equipment paid from a split purchase. (See finding 2014-002) The handling of the transaction circumvents normal internal controls for procurement. In addition, the Fiscal Court was not given the opportunity to review or question the disbursement, since it was now being presented as a reimbursement to UC First.

KRS 68.275(2) states, "The county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid."

**UNION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-004    The Fiscal Court Circumvented Internal Controls By Paying Union County Fiscal Court Expenses From A Union County First Checking Account And Later Reimbursing UC First (Continued)

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We recommend that all claims be presented to fiscal court prior to payment in accordance with KRS 68.275, that UC First checking accounts not be used to pay Union County Fiscal Court expenses, and that operating procedures described in the Union County Administrative Code be followed for all disbursements of Union County.

*County Judge/Executive's Response: All payments will be made in compliance with KRS 68.725 and all operating procedures in the county administrative code will be followed. The County Judge Executive has been removed as an authorized signer on all Union County First bank accounts.*

2014-005    The Union County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions

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A lack of segregation of duties exists over the accounting functions at the Union County Jail. One employee collected inmate fees, prepared deposits, made deposits, prepared monthly reports, remitted monthly reports along with inmate fees to the county treasurer, reconciled the bank account and made payments from the bank account. There were some compensating controls implemented that would offset the lack of segregation of duties. The compensating controls implemented were all claims have to be approved by Fiscal Court prior to payment and the Treasurer reviews all bank reconciliations. However, we recommend the Jailer segregate duties or implement the following compensating controls:

- The Jailer should periodically compare the daily bank deposit to the daily checkout sheet and then compared the daily checkout sheet to the receipts ledger. Any differences should have been reconciled. The Jailer could document this by initialing the bank deposit, daily deposit, and receipts ledger for the day checked.
- The Jailer should compare the monthly, quarterly, and annual financial reports to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Jailer could document this by initialing the receipts and disbursements ledgers or denoting the comparison on the financial reports.
- The Jailer should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should have been reconciled. The Jailer could document this by initialing the bank reconciliation and the balance in the checkbook.

*Jailer's Response: As Jailer I will make sure that I check the daily deposits to the daily checkout sheet & also the monthly, quarterly, & annual financial reports. I will sign off on all documents.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**UNION COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
UNION COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Union County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Jody Jenkins", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Tom R. Wilson", written over a horizontal line.

County Treasurer

